



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0251	Title:	Unemployment benefits for certain school employees between terms
Primary Sponsor:	Wanzenried, David E	Status:	As Introduced

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$3,609,023	\$3,631,320	\$3,741,216	\$3,851,112
Other - UI Trust Fund	\$13,226,928	\$13,307,580	\$13,710,840	\$14,114,100
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other -UI Trust Fund	\$12,837,264	\$13,307,580	\$13,710,840	\$14,114,100
Net Impact-General Fund Balance:	<u>(\$3,609,023)</u>	<u>(\$3,631,320)</u>	<u>(\$3,741,216)</u>	<u>(\$3,851,112)</u>

Description of fiscal impact:

SB 251 provides unemployment insurance benefits to non-instructional school employees between-term breaks (summer vacation) and within-term breaks (Christmas & Spring). Non-instructional employees typically include janitorial, food service, bus drivers, and other non-instructional aides in public & private schools (K - 12), colleges & universities.

FISCAL ANALYSIS

Assumptions:

1. The Montana Schools Unemployment Insurance program (MSUIP) estimates 85% of all school employees or 27,817 are covered by their program. The total school employees are estimated to be 32,725.
2. The remaining 4,908 school employees are reported directly to the Department of Labor & Industry (DoLI).
3. The Montana University system has 3,500 classified employees who are seasonally employed. They estimate 350 employees [10%] may be potential applicants for benefits.
4. The School for the Deaf & Blind (MSDB) has 86 employees, of which 33 are seasonally employed, and are potential applicants. The average salary of the 33 seasonal employees is \$10/hr. It is assumed all personal services costs at MSDB will be funded with general fund monies in the 2013 biennium (assumption 17).

5. Private & other schools are estimated to have approximately 1,980 employees.
6. The typical summer vacation for schools is 11 weeks. The typical Christmas vacation is estimated to be 1 week. The typical Spring break is estimated to be 1 week. The total number of weeks for unemployment benefits could be paid is 13 weeks (12 paid weeks and 1 non-paid waiting week).
7. The majority of these benefits are paid during the summer when the Department of Labor & Industry has lower workloads. The department has estimated that the increase in workload will not be large enough to require additional staff.
8. Statewide OPI data indicates 60% of the school employees are instructional (certified or professional) and 40% are non-instructional. For purposes of this fiscal note, 40% was used as the percentage of non-instructional employees.
9. The DoLI estimates that 50% of the eligible employees would apply for benefits based upon information requests for similar bills introduced in prior legislative sessions.
10. The Montana Schools Unemployment Insurance program (MSUIP) and the department collaborated to survey all the MSUIP clients to obtain information on the number of non-instructional employees and the wage rates paid to these workers. The department believes the survey results are creditable because 21% of the Class AA, 42% of Class A, 43% of Class B, and 40% of Class C schools responded. A “weighted average” methodology determined the average weekly wage is \$422.00. An average annual income for these individuals is \$16,458.00 (\$422 X 39 Weeks of work [52 weeks minus 13 weeks unemployed]).
11. For purposes of this fiscal note, the \$16,458.00 average annual income computes to a weekly benefit amount of \$164/week.
12. Due to national economic situation, the growth rate for the weekly benefit amount is estimated to be 1% annually for SFY 2010 and 2011, and 3% growth for SFY 2012 & 2013.
13. There are three types of school accounts. Each has a different impact on school costs related to this bill:
 - a. **Governmental:** There will be no effect on governmental employer rates until July 1, 2011 due to the timing of calculations affecting governmental rate schedules. Governmental rates would not be impacted until the changes in 2009 have an effect on the July 1, 2011 rates. Governmental rate changes are effective July 1st, the beginning of the state fiscal year. The impact on individual governmental accounts can not be predicted.
 - b. **Reimbursable:** School districts that have chosen this status with the DoLI will see increased costs. These accounts are charged dollar for dollar for any benefits paid and are billed monthly. Approximately 85% of the school wages are from reimbursable accounts. The revenues shown in the Fiscal Impact Section are from reimbursable employers who will begin making payments to the Trust Fund.
 - c. **Experience Rated:** These accounts are similar to Governmental except they are for private entities. There will be no effect on experience rated employers for the first six months of SFY 2010 due to the time lag incurred for benefit charges to affect the rating structure. It is impossible to estimate the impact on individual account's rating or the impact on the entire rate schedule for experience rated accounts. Individual accounts are evaluated annually based on benefits charged and taxes paid, and new rates are assigned for each calendar year.
14. Approximately 85% of the school employers belonging to the Montana Schools Unemployment Program are reimbursable accounts. Each reimbursable account is charged dollar for dollar for the benefit charges related to its employees. The unemployment insurance trust fund recovers these charges within 45 days following the end of a calendar quarter.
15. Approximately 10% of the school employers are governmental accounts.
16. Approximately 5% of the school employers are experience rated accounts. As more benefits are charged to the particular employer's account, the tax rate increases. Experience rates are calculated annually. The immediate impact of the charges is a decrease in the UI Trust Fund balance.
17. Costs by type of unemployment insurance account and impact on Trust Fund and the general fund are:

UI Trust Fund Impact

Program	Total employees	40% Non Certified	50% will apply	FY 2010 benefits \$164 @ 12 weeks	FY 2011 benefits \$165 @ 12 weeks	FY 2012 benefits \$170 @ 12 weeks	FY 2013 benefits \$175 @ 12 weeks
Reimbursable (MSUIP) K-12	27,817	11,127	5,564	\$10,949,952	\$11,016,720	\$11,350,560	\$11,684,400
Governmental Univ System* K-12	3500 2928	350 1,171	175 586	\$ 344,400 \$1,153,248	\$ 346,500 \$1,160,280	\$ 357,000 \$1,195,440	\$ 367,500 \$ 1,230,600
Experience rated –Private Schools	1980	792	396	\$ 779,328	\$ 784,080	\$ 807,840	\$ 831,600
Total	36,225	13,440	6,721	\$13,226,928	\$13,307,580	\$13,710,840	\$14,114,100

Montana School for the Deaf and Blind (costs included in General Fund Table)

Program	Total Employees	Potential applicants –assumption 4	FY 2010 benefits @208 @ 12 weeks	FY 2011 benefits \$210 @ 12 weeks	FY 2012 benefits \$216 @ 12 weeks	FY 2013 benefits \$222 @ 12 weeks
MSDB	86	33	\$82,368	\$83,160	\$85,536	\$87,912

Total General Fund Impact

Program	Estimated G.F Share	FY2010 G.F. costs	FY2011 G.F. costs	FY 2012 G.F. costs	FY 2013 G.F costs
Reimbursable (MSUIP) K-12	28%	\$3,065,987	\$3,084,682	\$3,178,157	\$3,271,632
Governmental MSDB	100%	\$ 82,368	\$ 83,160	\$ 85,536	\$ 87,912
Univ System	40%	\$137,760	\$138,600	\$142,800	\$147,000
K-12	28%	\$322,909	\$324,878	\$334,723	\$344,568
Experience Rated Private Schools	NA	\$0	\$0	\$0	\$0
Total		\$3,609,023	\$3,631,320	\$3,741,216	\$3,851,112

18. Revenues received by the Unemployment Insurance Trust Fund will equal the reimbursable benefits paid plus 50% of the experience rated benefits FY 2010. For FY 2011, 2012 and 2013, it is assumed the revenues to the UI Trust Fund will equal the benefits paid in those years.
19. Montana University System (MUS) – It is assumed that 50% of non-professional staff at MUS is funded with current unrestricted funds and that the state will pay approximately 40% of the costs for the current unrestricted employees in the 2013 biennium.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services UI Costs - MSD]	\$82,368	\$83,160	\$85,536	\$87,912
Operating -local assistance to distri	\$3,388,895	\$3,409,560	\$3,512,880	\$3,616,200
Transfers (MUS)	\$137,760	\$138,600	\$142,800	\$147,000
Benefits - UI Trust Fund	\$13,226,928	\$13,307,580	\$13,710,840	\$14,114,100
TOTAL Expenditures	<u><u>\$16,835,951</u></u>	<u><u>\$16,938,900</u></u>	<u><u>\$17,452,056</u></u>	<u><u>\$17,965,212</u></u>
<u>Funding of Expenditures:</u>				
General Fund (Transfer)	\$3,609,023	\$3,631,320	\$3,741,216	\$3,851,112
Other - UI Trust Fund	\$13,226,928	\$13,307,580	\$13,710,840	\$14,114,100
TOTAL Funding of Exp.	<u><u>\$16,835,951</u></u>	<u><u>\$16,938,900</u></u>	<u><u>\$17,452,056</u></u>	<u><u>\$17,965,212</u></u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other - UI Trust Fund	\$12,837,264	\$13,307,580	\$13,710,840	\$14,114,100
TOTAL Revenues	<u><u>\$12,837,264</u></u>	<u><u>\$13,307,580</u></u>	<u><u>\$13,710,840</u></u>	<u><u>\$14,114,100</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$3,609,023)	(\$3,631,320)	(\$3,741,216)	(\$3,851,112)
Other - UI Trust Fund	(\$389,664)	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. School districts that are reimbursable employers will experience an increase in benefit charges and a corresponding increase in reimbursements due the trust fund beginning in June 2009. School districts that are governmental or experience rated will not see an immediate impact.
2. Unemployment insurance costs are paid out of the school district retirement fund which is a permissive levy to the local taxpayers. The added costs of SB 251 would mean increased permissive taxes levied on the district's taxpayers. The additional costs are anticipated to be 72% of the cost of increased benefits to school districts or approximately \$9.6 million per year.

Long-Term Impacts:

1. The increased ratio of total benefit charges to total wages may trigger higher tax rates for the governmental and experience rated school employers in future years. There is an increased probability that all employers would experience an increased tax rate.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date